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Success Dragon International Holdings Limited

勝龍國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1182)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2021

The audited consolidated results of Success Dragon International Holdings Limited (“Company”) and its subsidiaries (collectively referred to as the “Group”) for the financial year ended 31 March 2021 together with the comparative figures for the preceding financial year are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
Revenue	4	175,196	91,430
Cost of sales		(155,334)	(62,279)
Gross profit		19,862	29,151
Other gain or loss, net	4	1,497	1,916
Selling and distribution costs		(2,119)	(5,371)
Administrative and other operating expenses		(25,960)	(34,674)
Loss from operations		(6,720)	(8,978)
Finance costs	5	(2,472)	(2,421)
Share of loss of an associate		(744)	(456)
Loss before tax		(9,936)	(11,855)
Income tax expense	6	(608)	—
Loss for the year	7	(10,544)	(11,855)

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>59</u>	<u>180</u>
Total other comprehensive income for the year, net of tax		<u>59</u>	<u>180</u>
Total comprehensive loss for the year		<u>(10,485)</u>	<u>(11,675)</u>
			(Restated)
Loss per share (HK cents per share)	9		
<i>Basic and diluted loss per share</i>		<u>(8.91)</u>	<u>(10.02)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment		4,281	4,680
Right-of-use assets	10	1,181	222
Investment in an associate	11	3,953	4,697
Goodwill		433	433
		<u>9,848</u>	<u>10,032</u>
Current assets			
Inventories		7,753	100
Trade receivables	12	2,828	28
Loan receivables	13	46,373	40,232
Deposits and other receivables	14	5,215	13,184
Bank and cash balances		32,304	1,629
		<u>94,473</u>	<u>55,173</u>
Current liabilities			
Trade payables	15	7,762	—
Other payables and accruals		16,716	9,586
Lease liabilities		696	232
Amount due to a director		3,506	—
Other loans		24,642	26,065
Tax payable		633	—
		<u>53,955</u>	<u>35,883</u>
Net current assets		<u>40,518</u>	<u>19,290</u>
Total assets less current liabilities		<u>50,366</u>	<u>29,322</u>
Non-current liabilities			
Lease liabilities		527	—
Other loan		2,493	—
		<u>3,020</u>	<u>—</u>
NET ASSETS		<u>47,346</u>	<u>29,322</u>
Capital and reserves			
Share capital	16	27,962	23,663
Reserves		19,384	5,659
TOTAL EQUITY		<u>47,346</u>	<u>29,322</u>

Notes:

1. GENERAL INFORMATION

Success Dragon International Holdings Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act. The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of the principal place of business of the Company is Room 903, 9/F., Tower A, New Mandarin Plaza, 14 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activity of the Company is investment holding and the principal activities of the Group are provision of outsourced business process management for electronic gaming machines in Macau, provision of money lending services in Hong Kong and gold-laden carbon processing business in the People’s Republic of China (the “PRC”).

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2020. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SEGMENT INFORMATION

For management purpose, the Group’s operating segments and their principal activities are as follows:

Outsourced business process management	—	Provision of services on management of electronic gaming equipment in Macau
Money lending services	—	Provision of money lending services in Hong Kong
Gold-laden carbon processing business	—	Provision of gold-laden carbon processing and the sale of gold and other precious metals in the PRC

The Group’s reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Information regarding the above segment is reported below.

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

For the year ended 31 March							
Outsourced business process management		Money lending services		Gold-laden carbon processing business		Total	
2021	2020	2021	2020	2021	2020	2021	2020
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE:							
Revenue from external customers							
33,601	84,451	6,469	4,913	135,126	2,066	175,196	91,430
RESULTS:							
Segment (loss)/profit							
(9,368)	(4,391)	3,376	2,139	2,429	(1)	(3,563)	(2,253)
Interest income						7	1
Unallocated income						1,490	1,214
Unallocated corporate expenses						(4,654)	(8,273)
Fair value gain on other loan						—	333
Share of loss of an associate						(744)	(456)
Finance costs						(2,472)	(2,421)
Loss before tax						(9,936)	(11,855)

There are no sales between reportable segments for both year ended 31 March 2021 and 2020.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment (loss)/profit represents the (loss)/profit of each segment without allocation of interest income, finance costs and unallocated income and expenses. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and assessment of segment performance.

(b) Segment assets and liabilities

	2021 HK\$'000	2020 HK\$'000
Segment assets		
Outsourced business process management	4,421	12,593
Money lending services	49,061	40,280
Gold-laden carbon processing business	11,803	1,229
Total segment assets	65,285	54,102
Bank and cash balances	32,304	1,629
Investment in an associate	3,953	4,697
Other unallocated assets	2,779	4,777
Total assets	104,321	65,205
Segment liabilities		
Outsourced business process management	9,385	1,025
Money lending services	1,235	235
Gold-laden carbon processing business	8,500	1,795
Total segment liabilities	19,120	3,055
Other loans	27,135	26,065
Other unallocated liabilities	10,720	6,763
Total liabilities	56,975	35,883

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than investment in an associate, bank and cash balances and unallocated corporate assets; and
- all liabilities are allocated to reportable segments other than other loans and unallocated corporate liabilities.

(c) **Geographical information**

The Group's revenue from external customers by geographical location is detailed below:

Revenue by geographical market

	2021 HK\$'000	2020 HK\$'000
Hong Kong	6,469	4,913
Macau	33,601	84,451
The PRC	135,126	2,066
	175,196	91,430

Information about revenue from the Group's customer individually contributing over 10% of total revenue of the Group is as follows:

	2021 HK\$'000	2020 HK\$'000
Customer A [#] — Gold-laden carbon processing business segment	97,903	2,066
Customer B [#] — Gold-laden carbon processing business segment	37,223	—

[#] Customer A and Customer B did not contribute over 10% of the Group's revenue for the year ended 31 March 2020.

In presenting the geographical information, revenue is based on the location of the customers.

The Group's non-current assets by geographical location are detailed below:

	2021 HK\$'000	2020 HK\$'000
Hong Kong	5,601	6,806
Macau	971	2,015
The PRC	3,276	1,211
	9,848	10,032

(d) Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

	For the year ended 31 March									
	Outsourced business		Money lending services		Gold-laden carbon		Unallocated		Consolidated total	
	process management				processing business					
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Addition to property, plant and equipment	—	22	—	10	2,193	1,206	—	—	2,193	1,238
Depreciation of property, plant and equipment	850	3,348	—	343	101	—	437	52	1,388	3,743
Gain on disposal of property, plant and equipment	—	(368)	—	—	—	—	—	—	—	(368)
	<u>—</u>	<u>(368)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(368)</u>

4. REVENUE AND OTHER GAIN OR LOSS, NET

Revenue represents amounts received and receivable for services provided and goods sold by the Group to outside customers, less discounts and sales related taxes.

An analysis of the Group's revenue and other income for the year are as follows:

	2021	2020
	HK\$'000	HK\$'000
Revenue from contracts with customers		
Provision of services on management of electronic gaming equipment in Macau	33,601	84,451
Provision of gold-laden carbon processing business	135,126	2,066
	<u>168,727</u>	<u>86,517</u>
Revenue from other source:		
Provision of money lending services in Hong Kong	6,469	4,913
	<u>175,196</u>	<u>91,430</u>

Disaggregation of revenue from contracts with customers:

	Outsourced business process management HK\$'000	Gold-laden carbon processing business HK\$'000	Total HK\$'000
Year ended 31 March 2021:			
Time of revenue recognition			
— At a point of time	—	135,126	135,126
— Overtime	33,601	—	33,601
	<u>33,601</u>	<u>—</u>	<u>33,601</u>
	<u>33,601</u>	<u>135,126</u>	<u>168,727</u>
Year ended 31 March 2020:			
Time of revenue recognition			
— At a point of time	—	2,066	2,066
— Overtime	84,451	—	84,451
	<u>84,451</u>	<u>—</u>	<u>84,451</u>
	<u>84,451</u>	<u>2,066</u>	<u>86,517</u>

Provision of services on management of electronic gaming equipment in Macau

The Group provides electronic gaming equipment management services to the customers. Electronic gaming equipment management services income is recognised when the electronic gaming equipment management services are rendered and there is no unfulfilled obligation that could affect the customer's acceptance of the service.

Provision of gold-laden carbon processing business

The Group process gold-laden carbon and sales of precious metal to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Deposits received from customers are recognised as contract liabilities.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other gain or loss, net:		
Gain on disposal of property, plant and equipment	—	368
Gain on deemed disposal of an associate	—	370
Gain on bargain purchases of an associate	—	375
Fair value gain on other loan	—	333
Interest income on bank deposits	7	1
Government grant	89	—
Gain on termination of lease	8	—
Loss on termination of other loan	(74)	—
Sundry income	1,467	469
	<u>1,497</u>	<u>1,916</u>

5. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Leases interests	44	56
Interest on other loans	2,378	2,037
Imputed interest on other loans	50	328
	<u>2,472</u>	<u>2,421</u>

6. INCOME TAX

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax — the PRC		
Provision for the year	<u>608</u>	<u>—</u>

No provision for Hong Kong profits tax is required since the Group has no assessable profit for the year ended 31 March 2021 and 2020.

Macau Complementary Tax is calculated at a progressive rate from 9% to 12% on the estimated assessable profit for the year. No provision for Macau Complementary Tax is required as the Company's subsidiary in Macau incurred tax losses for the year.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC was 25% in both year.

Tax arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

7. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting):

	2021 HK\$'000	2020 HK\$'000
Depreciation of property, plant and equipment	1,388	3,743
Depreciation of right-of-use assets	287	830
Cost of inventories sold (included in "cost of sales")	131,144	2,014
Auditor's remuneration	980	980
Staff costs (including Directors' remuneration):		
Salaries, allowances and other benefits in kind	10,671	15,016
Pension scheme contributions	251	270
Total staff costs	10,922	15,286
Gain on disposal of property, plant and equipment	—	(368)

Cost of inventories sold includes raw materials, staff costs and depreciation of approximately HK\$131,144,000 (2020: HK\$2,014,000) which are included in the amounts disclosed separately above.

8. DIVIDEND

The Directors do not recommend the payment of any dividend for each of the years ended 31 March 2021 and 2020.

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss of approximately HK\$10,544,000 (2020: HK\$11,855,000) for the year attributable to owners of the Company and the weighted average number of approximately 118,373,000 (2020: 118,314,000 (restated)) ordinary shares in issue during the year. The weighted average number of shares in issue has taken into account the share consolidation completed in June 2021 (Note 17). Hence, the comparative weighted average number of shares in issue for the year ended 31 March 2020 was restated.

(b) Diluted loss per share

No diluted loss per share is presented for the year ended 31 March 2021 and 2020 as the exercise of the Company's outstanding share options would be anti-dilutive.

10. LEASE AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 31 March:		
Right-of-use assets		
— Office premises	<u>1,181</u>	<u>222</u>
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
— Less than 1 year	785	237
— Between 1 and 2 years	<u>547</u>	<u>—</u>
	<u>1,332</u>	<u>237</u>
Year ended 31 March:		
Depreciation charge of right-of-use assets		
— Office premises	<u>287</u>	<u>830</u>
Lease interests	<u>44</u>	<u>56</u>
Termination of lease:		
Decrease of right-of-use asset due to termination of lease	163	—
Decrease of lease liability due to termination of lease	<u>(171)</u>	<u>—</u>
Gain on termination of lease	<u>(8)</u>	<u>—</u>
Total cash outflow for leases	<u>291</u>	<u>876</u>
Addition of right-of-use assets	<u>1,409</u>	<u>—</u>

The Group leases various office premises. Lease agreements are typically made for fixed periods of 1 to 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

11. INVESTMENT IN AN ASSOCIATE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Carrying amount	<u>3,953</u>	<u>4,697</u>

As at 31 March 2021, the Group holds indirectly 24.56% (2020: 24.56%) equity interest in Maiden Faith Capital Group Limited (the “Maiden”), which formerly known as Gold Castle Group Limited, through its subsidiary.

Under the shareholder agreement, the Group is entitled to appoint a director to Maiden, the Group has significant influence over Maiden.

12. TRADE RECEIVABLES

The Group’s trading terms with other customers are mainly on credit. The credit terms generally range from 30 to 90 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	<u>2,828</u>	<u>28</u>

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	<u>2,828</u>	<u>28</u>

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Total
At 31 March 2021		
Weighted average expected loss rate	0%	0%
Receivable amount (<i>HK\$'000</i>)	2,828	2,828
Loss allowance (<i>HK\$'000</i>)	—	—
At 31 March 2020		
Weighted average expected loss rate	0%	0%
Receivable amount (<i>HK\$'000</i>)	28	28
Loss allowance (<i>HK\$'000</i>)	—	—

13. LOAN RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loan receivables	<u>46,373</u>	<u>40,232</u>

The fixed-rate loans receivables of approximately HK\$46,373,000 (2020: HK\$40,232,000) under the Group's money lending services operation as at 31 March 2021 represent loan advanced to 13 (2020: 12) independent third parties. The interest rates for the loan receivables were ranging from 12% to 18% (2020: 12% to 18%) per annum.

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all loan receivables. To measure the expected credit losses, loan receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Total
At 31 March 2021		
Weighted average expected loss rate	0%	0%
Receivable amount (<i>HK\$'000</i>)	46,373	46,373
Loss allowance (<i>HK\$'000</i>)	—	—
At 31 March 2020		
Weighted average expected loss rate	0%	0%
Receivable amount (<i>HK\$'000</i>)	40,232	40,232
Loss allowance (<i>HK\$'000</i>)	—	—

14. DEPOSITS AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Deposits paid for acquisition of property, plant and equipment	3,540	8,500
Deposits and prepayments	1,939	2,592
Deposits paid for game software development and licenses	<u>30,000</u>	<u>30,000</u>
	35,479	41,092
Less: Impairment losses	<u>(31,468)</u>	<u>(31,468)</u>
	<u>4,011</u>	<u>9,624</u>
Other receivables	4,204	6,560
Less: Impairment losses	<u>(3,000)</u>	<u>(3,000)</u>
	<u>1,204</u>	<u>3,560</u>
	<u>5,215</u>	<u>13,184</u>

As at 31 March 2021 and 2020, included in the impairment losses of other receivables, deposits and prepayments are individually impaired other receivables and deposits with an aggregate balance of approximately HK\$34,468,000 which are due to long outstanding and/or default of payment. The Group does not hold any collateral over these balances. Impaired amounts were directly written off against deposits and receivables when there was no expectation of recovering any amount.

15. TRADE PAYABLES

The aging analysis of the trade payables as at the end of reporting period, based on the date of receipt of consumables or goods purchased, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 90 days	6,552	—
91 to 180 days	1,210	—
	<u>7,762</u>	<u>—</u>

16. SHARE CAPITAL

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Authorised:		
30,000,000,000 (2020: 30,000,000,000) ordinary shares of HK\$0.01 each	<u>300,000</u>	<u>300,000</u>
Issued and fully paid:		
2,796,156,547 (2020: 2,366,286,547) ordinary shares of HK\$0.01 each	<u>27,962</u>	<u>23,663</u>

Movement of the number of shares issued and the share capital during the current period is as follows:

	Number of share issued <i>'000</i>	Share capital <i>HK\$'000</i>
At 1 April 2019, 31 March 2020 and 1 April 2020	2,366,286	23,663
Issue of shares on placement (note)	<u>429,870</u>	<u>4,299</u>
At 31 March 2021	<u>2,796,156</u>	<u>27,962</u>

Note: On 17 March 2021, the Company entered into a placing agreement and supplemental agreement, respectively, with a placing agent in respect of the placement of 473,257,309 ordinary shares of HK\$0.067 each to independent investors at a price of HK\$0.067 per share. The placement of 429,870,000 placing shares was completed on 31 March 2021, resulting in which approximately HK\$4,298,700 was credited to share capital and the remaining balance of approximately HK\$24,210,000 (net of issuing expenses of approximately HK\$293,000) was credited to share premium.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consist of equity attributable to owners of the Company, comprising issued share capital and reserves. The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the associated risks, and take appropriate actions to adjust the Group's capital structure. The Group's overall strategy remains unchanged from prior periods.

17. EVENT AFTER THE REPORTING PERIOD

Reference to the announcements of the Company dated 26 April 2021, 13 May 2021 and 7 June 2021, The Company proposes to implement the capital reorganisation ("Capital Reorganisation") which comprises of 1) the share consolidated of the shares of the Company on the basis of every twenty issued and unissued existing share of the Company of par value HK\$0.01 each into one consolidated share of par value HK\$0.2 each; and 2) the capital reduction by the way of a reduction of the issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.19 on each of the issued Consolidated Shares so that the nominal or par value of each issued Consolidated Share will be reduced from HK\$0.2 to HK\$0.01; and 3) the share subdivision of each of authorised but issued Consolidated Share of par value HK\$0.2 into twenty Adjusted Shares of par value HK\$0.01 each. A special general meeting of the Company had been held on 7 June 2021 and the Capital Reorganisation had been duly passed by way of poll. As all the conditions of the Capital Reorganisation have been fulfilled, the Board announced that the proposed Capital Reorganisation became effective on 9 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Performance of the Group

The Group recorded revenue of approximately HK\$175.2 million for the financial year ended 31 March 2021 (“FY2021” or the “Year”), versus approximately HK\$91.4 million in the financial year ended 31 March 2020 (“FY2020”), an increase of approximately HK\$83.8 million. During the Year, the Group was principally engaged in the business of processing gold-laden carbon and sale of gold and other precious metals, outsourced business process management and money lending business.

Our business scope has changed significantly this year due to the rapid development of the gold-laden carbon processing business, such that the contribution from outsourced business processing management segment has decreased.

Outsourced Business Process Management

The Outsourced Business Process Management business contributed 19.2% of the Group’s revenue during the Year, and revenue generated from the Outsourced Business Process Management decreased by approximately 60.2% from approximately HK\$84.5 million in FY2020 to approximately HK\$33.6 million in FY2021. The decrease was mainly attributable to the adverse impact on Macau gaming industry caused by prevalence of Coronavirus pandemic. The loss from this captioned segment during the Year was approximately HK\$9.4 million compared with loss of approximately HK\$4.4 million during FY2020 which was mainly due to the decrease in gross revenue.

Money Lending Business

During the Year, revenue generated from money lending business was approximately HK\$6.5 million with profit of approximately HK\$3.4 million (FY2020: approximately HK\$4.9 million, profit of approximately HK\$2.1 million).

Gold-laden Carbon Processing Business

The Group has diversified and developed its business into the gold-laden carbon processing and the sale of gold and other precious metals. The Board seeks to open up the new procurement and revenue channel in gold-laden carbon processing market.

The Group has a production line in Yunnan province, PRC, for the extraction of gold and other precious metals from gold-laden carbon. The Group purchases the gold-laden carbon from suppliers including mining enterprises and traders. At the Group’s production line, gold and other precious metals are extracted from the gold-laden carbon using processes such as desorption and electrodeposition. The extracted gold and other precious metals will be sold to buyers and dealers in the PRC.

During the Year, revenue generated from gold-laden carbon processing business was approximately HK\$135.1 million with profit of approximately HK\$2.4 million (FY2020: approximately HK\$2.1 million, loss of approximately HK\$1,000).

FINANCIAL REVIEW

During FY2021, the Outsourced Business Process Management business contributed approximately 19.2% (FY2020: approximately 92.4%) of the Group's total revenue. The revenue derived from this business segment was approximately HK\$33.6 million, representing a decrease of approximately 60.2% (FY2020: approximately HK\$84.5 million). The revenue derived from the money lending business segment was approximately HK\$6.5 million (FY2020: approximately HK\$4.9 million). The revenue derived from the gold-laden carbon processing business was approximately HK\$135.1 million, which contributed approximately 77.1% of the Group's total revenue (FY2020: approximately HK\$2.1 million). As a result of the above, for FY2021, the Group recorded a total revenue of approximately HK\$175.2 million (FY2020: approximately HK\$91.4 million), representing an increase of approximately 91.7%.

The Group reported a net loss attributable to owners of the Company of approximately HK\$10.5 million for FY2021 (FY2020: approximately HK\$11.9 million). The decrease in net loss was mainly caused by the following factors:

- (i) the decrease in the depreciation of property, plant and equipment of approximately HK\$2,355,000 as compared to the same period in last year;
- (ii) the increase in the gold-laden carbon processing business's revenue due to recognition of the revenue for the full financial year of 2021 as the gold-laden carbon processing business commenced in March 2020; and
- (iii) the decrease in the administrative and other operating expenses, from approximately HK\$34.7 million in FY2020 to approximately HK\$26 million in FY2021 due to the cost control measures.

LIQUIDITY, FINANCIAL RESOURCES AND FOREIGN CURRENCY EXPOSURE

As at 31 March 2021, the Group had bank and cash balances of approximately HK\$32.3 million.

During the Year, the Group had a loan agreement with an independent third party for an unsecured and unguaranteed loan amounted to HK\$13.6 million and interest rate at 14.5% per annum, and repayable on 5 September 2020. The loan extension is still under negotiation.

During the Year, the Group entered into a loan agreement with an independent third party for an unsecured and unguaranteed loan with principal amount of approximately HK\$8.9 million and fixed interest rate at 3.5% per annum. Pursuant to this loan agreement, the repayment date on 13 May 2020. On 13 May 2020, the loan is extended and repayable on 13 May 2021. The loan extension is still under negotiation.

During the Year, the Company entered into an unsecured loan agreement with an independent third party. Pursuant to the loan agreement, the principal amount of the loan is RMB2.0 million with fixed interest rate of 5% per annum and repayable on 11 May 2030.

The gearing ratio of loans against the total equity as at 31 March 2021 was 57.3%. As the majority of bank deposits and cash on hand were denominated in Hong Kong dollar, followed by Macau Pataca, Renminbi and US dollar, the Group's exchange risk exposure depended on the movement of the exchange rates of the aforesaid currencies.

TREASURY POLICY

The Group maintains a conservative approach on foreign exchange exposure management and ensures that its exposure to fluctuations in foreign exchange rates is minimized. The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposures during the year ended 31 March 2021. The Group will continue to monitor its foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Save as mentioned in the following paragraphs, the Group did not have any other material acquisition, disposal and significant investment during the year ended 31 March 2021.

Significant investments held and their performance

The Group has made an investment in Primus Power Corporation ("Primus"), a USA company principally engaged in the provision of electrical energy storage system solutions.

In February 2021, the Group received a Notice of Assignment for the Benefit of Creditors and Deadline for Submitting Claims from Primus (Assignment for the Benefit of Creditors), LLC, pursuant to which the Group was notified that, Primus Power Corporation made a general assignment for the benefit of creditors to Primus (Assignment for the Benefit of Creditors), LLC. It was stated that, Primus Power Corporation and Primus (Assignment for the Benefit of Creditors), LLC have no corporate affiliation to each other. Pursuant to this assignment, Primus Power Corporation transferred ownership of all of its rights in tangible and intangible assets to Primus (Assignment for the Benefit of Creditors), LLC for liquidation. The said liquidation was not yet completed as at the date of this announcement. The fair value of the investment in Primus as at 31 March 2021 was nil (FY2020: nil).

FUTURE DEVELOPMENTS IN THE BUSINESS OF THE GROUP

Looking forward in 2021, the Group has committed to expand the gold-laden carbon processing and the sale of gold and other precious metals business.

In face of the growing uncertainties in global economic and political environment and the historical trend in gold prices, the Board is optimistic about the future worldwide demand for gold. The new business of gold-laden carbon processing will enable the Group to diversify into a promising industry and it is expected to broaden the Group's income stream and increase shareholders' return.

Save as aforesaid, as at the date of this report, the Group had no other plans for material investments or acquisition of capital assets. However, the Group will continue to identify new opportunities for business development. In the event that any definitive agreement is entered into in relation to any material investments or acquisition of capital assets, further announcement(s) will be made if and when required or as appropriate in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

PLEDGE OF ASSETS

At 31 March 2021, the Group did not have any substantial pledge of assets and substantial contingent liabilities.

CAPITAL COMMITMENTS

As at 31 March 2021, the Group's capital expenditure contracted for but not provided in respect of acquisition of property, plant and equipment amounted to approximately HK\$nil (31 March 2020: HK\$2,296,000).

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 17 March 2021, the Company entered into a Placing Agreement with an independent placing agent whereby the Company conditionally agreed to place, through the placing agent, on a best effort basis, up to 473,257,309 new shares of the Company to not less than six independent places at HK\$0.067 per placing Share. The completion of the Placing took place on 31 March 2021. A total of 429,870,000 new shares of the Company have been allotted and issued to not less than six placees under general mandate.

The net proceeds from the Placing, after deduction of the placing commission and other related expenses of approximately HK\$28.40 million. As at 31 March 2021, none of the net proceeds has been utilised. Details of the Placing are set out in the Company's announcements dated 17 March 2021 and 31 March 2021.

EMPLOYEES AND REMUNERATION POLICY

The Group employed approximately 60 employees as at 31 March 2021.

The Group continues to review the remuneration packages of employees with reference to the level and composition of pay, general market condition and individual performance. Staff benefits offered by the Group to its employees include contribution to defined contribution retirement scheme, discretionary bonus, share option scheme, medical allowance and hospitalization scheme and housing allowance. The Group supports a fair, transparent and high performance culture through its human resources department, by developing and improving its programs particularly on recruitment, performance management, training and development and employee relations.

LITIGATION

The Group has a number of pending litigations and in the opinion of the legal counsel of the Company engaged in respect of such litigations, it is premature to predict the outcomes. Details of litigation are disclosed in the annual financial statements.

CORPORATE GOVERNANCE

The Board adopted the code provisions set out in the Corporate Governance Code contained in Appendix 14 (“CG Code”) to the Listing Rules and the Model Code for Securities Transactions by Directors of Listed Issuers, contained in Appendix 10 (“Model Code”) to the Listing Rules as the Company’s corporate governance code and as the Company’s code for securities transactions by directors of the Company (the “Directors”) respectively.

The Company had made specific enquiry of all the Directors and confirmed that all the Directors have complied with the required standard as set out in the Model Code during the financial year ended 31 March 2021.

The Company has sent a written confirmation to each independent non-executive director of the Company (“INED”) requesting for their confirmation of independence during the financial year ended 31 March 2021 with reference to the factors set out in Rule 3.13 of the Listing Rules and other relevant factors. All INEDs confirmed that they have satisfied the independence requirements and accordingly, the Company considers the INEDs to be independent during the financial year ended 31 March 2021.

The Board is satisfied that the Company has complied with the applicable code provisions of the CG Code throughout the financial year ended 31 March 2021 except for the following deviations:

- (1) Code Provision A.4.1 of the CG Code provides, inter alia, that non-executive Directors should be appointed for a specific term and subject to re-election. Non-executive Directors of the Company are not appointed for a specific term. However, they are

subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the Company's Bye-laws and the Listing Rules.

- (2) Code Provision A.2.1 of the CG Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of Chairman and Chief Executive Officer of the Company were both performed by Mr. DING Lei ("Mr. Ding"), an Executive Director of the Company with effect from 20 September 2019. Mr. Ding was subsequently re-designated as the Co-Chief Executive Officer, together with Mr. ZHU Tianxiang ("Mr. Zhu"), an Executive Director of the Company jointly as the Co-Chief Executive Officer of the Company with effect from 11 June 2020. The Board considers that having Mr. Ding to act as the Chairman and Co-Chief Executive Officer of the Company would enhance the operation efficiency and core competitiveness of the Group, more clearly define the organizational structure, and simplify the Group's decision-making mechanism. Therefore, the Board considers that such deviation is beneficial to the Group's overall business development.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee of the Company comprises three INEDs, namely Ms. WONG Chi Yan (Chairman), Mr. DENG Yougao and Mr. CHONG Lok Man. The Audit Committee had reviewed the accounting principles and practices adopted by the Group, and had discussed auditing, internal control and financial reporting matters, including the review of the annual results for the financial year ended 31 March 2021, with the Company's management and the external auditors.

INTERNAL CONTROL

For the internal audit function, the Group engaged an independent advisory firm to perform independent reviews and reported regularly the review results to the Board through the Audit Committee on the adequacy and effectiveness of the Group's internal control and risk management systems. The Board, through the Internal Audit function of the Group, has conducted annual review of the effectiveness of the system of internal control of the Group including the relevant financial, operational and compliance controls and risk management procedures. Such procedures are designed to manage rather than to eliminate risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The review report showed that the Group maintained an effective internal control system and no major control deficiency had been identified during the Year. The scope and findings of the review had been reported to and reviewed by the Audit Committee.

The Board also reviewed and was satisfied with the adequacy of resources, qualifications and experience of the employees of the Group's accounting and financial reporting function, and their training programmes and budget.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in this announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2021. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on this announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the Year, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company will be held on Tuesday, 28 September 2021 ("2021 AGM").

The register of members of the Company will be closed during the periods from Thursday, 23 September 2021 to Tuesday, 28 September 2021, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' eligibility to attend and vote at the 2021 AGM. In order to be eligible to attend and vote at the 2021 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 21 September 2021.

By order of the Board

Success Dragon International Holdings Limited

DING Lei

Chairman, Co-Chief Executive Officer and Executive Director

Hong Kong, 29 June 2021

As at the date of this announcement, the Board comprises three Executive Directors, namely Mr. DING Lei, Mr. ZHU Tianxiang and Ms. DENG Ganghui; and three Independent Non-Executive Directors, namely Mr. DENG Yougao, Ms. WONG Chi Yan and Mr. CHONG Lok Man.